



WEINLANDER FITZHUGH

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EDENVILLE TOWNSHIP
EDENVILLE, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2005

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RSM! McGladrey Network
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Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name EDENVILLE TOWNSHIP	County MIDLAND
Audit Date 6/30/05	Opinion Date 9/19/05	Date Accountant Report Submitted to State: 11/1/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) WEINLANDER FITZHUGH			
Street Address 1600 CENTER AVENUE		City BAY CITY	State MI
		ZIP 48708	
Accountant Signature <i>Stewart J. Reid CPA</i>			Date 10/20/05

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WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

Independent Auditors' Report

September 19, 2005

Township Board
Township of Edenville
Edenville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Township of Edenville, Edenville, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Township of Edenville as of June 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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WEINLANDER FITZHUGH

Township Board
Township of Edenville
September 19, 2005
Page 2

Required Supplemental Information

The accompanying management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements but are supplemental information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Weinlander Fitzhugh

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2005

Our discussion and analysis of Edenville Township's (Township) financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2005.

Financial Highlights

The Township's net assets decreased by \$2,000 or less than 1%. Program revenues accounted for \$16,000 or 3% of total revenues, and general revenues accounted for \$461,000 or 97%.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Edenville Township financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's most significant funds – the General Fund, Solid Waste Fund, Road Assessment Fund and M-30 Water Fund. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Budgetary Information for the General Fund, Solid Waste Fund and Road Assessment Fund (Required Supplemental Information)

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2005

Reporting the Township as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Township's finances is: "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, and facility conditions in arriving at their conclusion regarding the overall health of the Township.

Reporting the Government's Most Significant Funds

Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The Township's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2005

Fiduciary Funds

The Township is the trustee, or fiduciary, for tax collections. All of the Township's fiduciary activities are reported in separate Statement of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

Government-wide Financial Analysis

The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Government's net assets.

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Assets		
Current and other assets	\$ 243,000	\$ 258,000
Capital assets - net of accumulated depreciation	<u>489,000</u>	<u>293,000</u>
Total assets	<u>732,000</u>	<u>551,000</u>
Liabilities		
Current liabilities	14,000	36,000
Long-term liabilities	<u>205,000</u>	<u>0</u>
Total liabilities	<u>219,000</u>	<u>36,000</u>
Net Assets		
Invested in capital assets - net of related debt	284,000	293,000
Unrestricted	<u>229,000</u>	<u>222,000</u>
Total net assets	<u>\$ 513,000</u>	<u>\$ 515,000</u>

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2005

Exhibit A, on the previous page, focuses on net assets. The Township's net assets were \$513,000 at June 30, 2005. Capital assets totaling \$284,000 compares the original costs, less depreciation and related debt of the Township's capital assets.

The \$229,000 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General, Solid Waste and Road Assessment Funds will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities, summarized in Exhibit B, which shows the changes in net assets for the year ended June 30, 2005 and 2004.

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2005

<u>Exhibit B</u>	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Revenue		
Program revenue:		
Charges for services	\$ 12,000	\$ 13,000
Grants and contributions	5,000	5,000
General revenue:		
Property taxes	277,000	187,000
State revenue sharing	171,000	173,000
Other	13,000	29,000
Total revenue	<u>478,000</u>	<u>407,000</u>
Function/Program Expenses		
General government	179,000	168,000
Public safety	81,000	83,000
Public works	97,000	91,000
Streets and highways	(1,000)	17,000
Legislative	3,000	1,000
Recreation and culture	14,000	13,000
Sanitation	97,000	107,000
Interest and fees	10,000	0
Total expenses	<u>480,000</u>	<u>480,000</u>
Increase (Decrease) in Net Assets	<u>\$ (2,000)</u>	<u>\$ (73,000)</u>

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2005

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$480,000. Certain activities were partially funded from those who benefited from the programs or by the other governments and organizations that subsidized certain programs with grants and categoricals. We paid for the remaining "public benefit" portion of our governmental activities with \$277,000 in taxes, \$171,000 in State revenue sharing, and with our other revenues, such as interest and miscellaneous revenues.

The Township experienced a decrease in net assets of \$2,000. The key reason for the change in net assets was that actual expenditures exceeded actual revenues. The decrease in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The Township's Funds

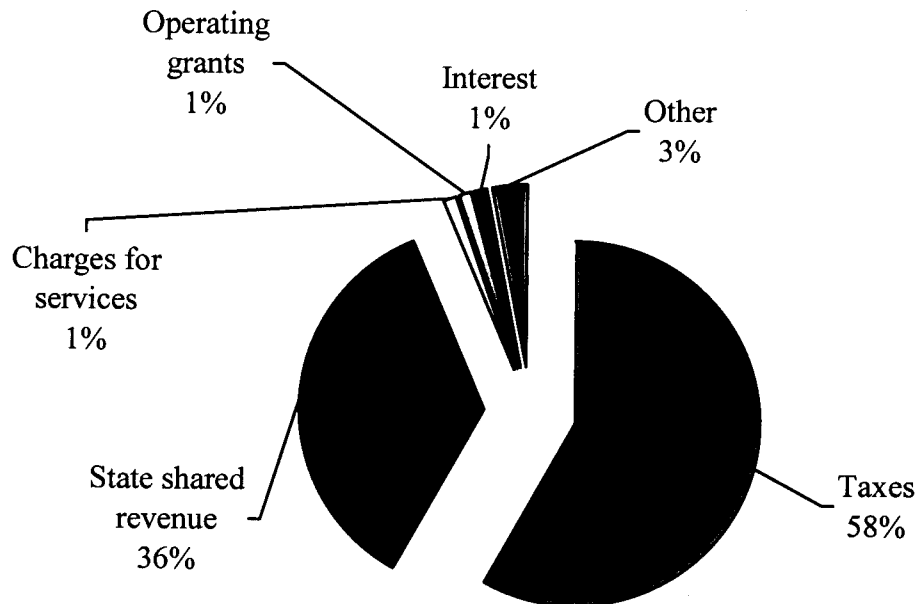
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's governmental funds reported a combined fund balance of \$229,000, which is below last year's total of \$194,000. The schedule below indicates the fund balances and the total change in fund balance as of June 30, 2005 and 2004.

	<u>Fund Balance</u> <u>June 30, 2005</u>	<u>Fund Balance</u> <u>June 30, 2004</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 170,000	\$ 187,000	\$ (17,000)
Solid Waste	31,000	15,000	16,000
Road Assessment	(1,000)	(8,000)	7,000
M-30 Water	29,000	0	29,000
Total	<u>\$ 229,000</u>	<u>\$ 194,000</u>	<u>\$ 35,000</u>

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2005

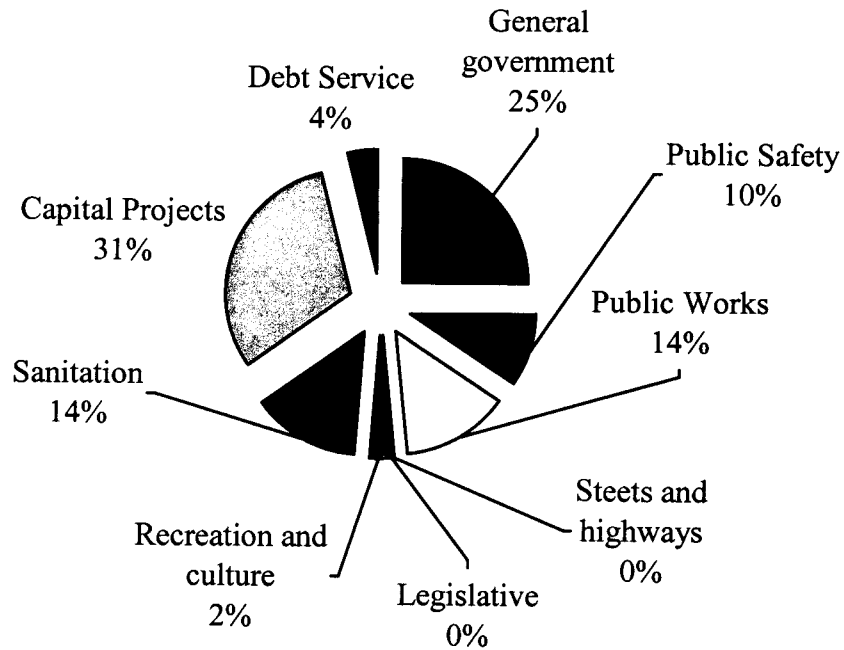
The graph below details the major sources of the Township's revenues.



	2005	2004
<i>Revenues by Source</i>		
Taxes	\$ 277,000	\$ 187,000
State shared revenue	171,000	178,000
Charges for services	5,000	20,000
Operating grants	5,000	5,000
Interest	5,000	3,000
Other	15,000	19,000
	<hr/>	<hr/>
Total	<u>\$ 478,000</u>	<u>\$ 412,000</u>

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2005

The graph below details the major expenditure categories of the Township.



<i>Expenditures by Function</i>	2005	2004
General Government	\$ 174,000	\$ 173,000
Public Safety	66,000	52,000
Public Works	97,000	91,000
Streets and highways	(1,000)	17,000
Legislative	3,000	1,000
Recreation and Culture	14,000	13,000
Sanitation	97,000	107,000
Capital Projects	216,000	0
Debt Service	27,000	0
Total	<u>\$ 693,000</u>	<u>\$ 454,000</u>

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2005

General Fund Budgetary Highlights

Over the course of the year, the Township revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues remained about the same throughout the fiscal year.
- Budgeted expenditures remained about the same throughout the fiscal year.
- There were no significant variances between the final budget and actual amounts.

Capital Assets

At June 30, 2005, the Township had \$488,000 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions and disposals) of approximately \$195,000 from last year.

	Governmental Activities	
	2005	2004
Land	\$ 14,000	\$ 14,000
Buildings and improvements	433,000	217,000
Equipment	342,000	331,000
Total capital assets	789,000	562,000
Less accumulated depreciation	301,000	269,000
Net capital assets	<u>\$ 488,000</u>	<u>\$ 293,000</u>

EDENVILLE TOWNSHIP
Management's Discussion & Analysis
For the Year Ended June 30, 2005

This year's additions of \$227,000 included a new water line. The Township issued \$221,800 in bonds and notes for these additions

We anticipate capital additions will be minimal in the next fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of the year, the Township had bonds consisting of the following:

	<u>2005</u>	<u>2004</u>
2004 Water Supply System Bond	<u>\$ 205,000</u>	<u>\$ 0</u>

The Township's General Obligation Bond rating continues to be equivalent to the State's credit rating. We do not anticipate issuing any debt next year.

Factors Expected to Have an Effect on Future Operations

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. We will need to adjust Township expenditures in response to any revenue shortfall.

Requests For Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in Edenville Township. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ms. Alice Sharon Such
Supervisor
Box 24
Edenville, MI 48620

EDENVILLE TOWNSHIP
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 186,588
Receivables - net	56,433
Capital assets - net of accumulated depreciation of \$300,696	<u>488,766</u>
Total Assets	<u>731,787</u>
<u>Liabilities</u>	
Accounts payable	1,920
Accrued and other liabilities	1,595
Due to other governmental units	4
Advances	10,314
Long term liabilities:	
Due within one year	0
Due in more than one year	<u>205,000</u>
Total Liabilities	<u>218,833</u>
<u>Net Assets</u>	
Invested in capital assets - net of related debt	283,766
Unrestricted	<u>229,188</u>
Total Net Assets	<u><u>\$ 512,954</u></u>

See accompanying notes to financial statements

EDENVILLE TOWNSHIP
Statement of Activities
For the Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government:				
General government	\$ 179,552	\$ 11,751	\$ 4,650	\$ (163,151)
Public safety	80,734	0	0	(80,734)
Public works	96,909	0	0	(96,909)
Streets and highways	(1,194)	0	0	1,194
Legislative	2,832	0	0	(2,832)
Recreation and culture	14,471	0	0	(14,471)
Sanitation	97,372	0	0	(97,372)
Interest and fees	9,586	0	0	(9,586)
Total governmental activities	<u>\$ 480,262</u>	<u>\$ 11,751</u>	<u>\$ 4,650</u>	<u>(463,861)</u>
General revenues:				
				277,496
Property taxes				171,390
State shared revenues				4,509
Interest				8,127
Other				<u>461,522</u>
Total general revenues				
				(2,339)
Change in net assets				515,293
Net assets - beginning of year				<u>\$ 512,954</u>
Net assets - end of year				

See accompanying notes to financial statements

EDENVILLE TOWNSHIP
Governmental Funds
Balance Sheet
June 30, 2005

	General Fund	Solid Waste Fund	Road Assessment Fund	M-30 Water Fund	Total
<u>ASSETS</u>					
Cash and investments	\$ 122,594	\$ 31,410	\$ 3,426	\$ 29,158	\$ 186,588
Receivables - net	56,433	0	0	0	56,433
Due from other funds	4,297	0	0	0	4,297
Total assets	<u>\$ 183,324</u>	<u>\$ 31,410</u>	<u>\$ 3,426</u>	<u>\$ 29,158</u>	<u>\$ 247,318</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>Liabilities</u>					
Accounts payable	\$ 1,920	\$ 0	\$ 0	\$ 0	\$ 1,920
Accrued payroll liabilities	1,595	0	0	0	1,595
Due to other funds	0	0	4,297	0	4,297
Due to other governmental units	4	0	0	0	4
Swanton Hall advances	10,314	0	0	0	10,314
Total liabilities	13,833	0	4,297	0	18,130
<u>Fund Balance (Deficit)</u>					
Unreserved	169,491	31,410	(871)	29,158	229,188
Total Liabilities and Fund Balance	<u>\$ 183,324</u>	<u>\$ 31,410</u>	<u>\$ 3,426</u>	<u>\$ 29,158</u>	<u>\$ 247,318</u>

See accompanying notes to financial statements

EDENVILLE TOWNSHIP
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2005

Total fund balance - governmental funds	\$ 229,188
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of the capital assets	789,462
Accumulated depreciation	(300,696)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	<u>(205,000)</u>
Total net assets - governmental activities	<u>\$ 512,954</u>

See accompanying notes to financial statements

EDENVILLE TOWNSHIP
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2005

	General Fund	Solid Waste	Road Assessment Fund	M-30 Water Fund	Total
<u>Revenues</u>					
Taxes and penalties	\$ 107,538	\$ 113,525	\$ 6,547	\$ 49,886	\$ 277,496
State shared revenue	200,200	0	0	0	200,200
Charges for services	11,751	0	0	0	11,751
State grants	4,650	0	0	0	4,650
Interest	4,063	197	12	237	4,509
Other revenue	8,127	0	0	0	8,127
Total revenues	<u>336,329</u>	<u>113,722</u>	<u>6,559</u>	<u>50,123</u>	<u>506,733</u>
<u>Expenditures</u>					
Current:					
General government	173,528	0	0	0	173,528
Public safety	66,370	0	0	0	66,370
Public works	96,909	0	0	0	96,909
Streets and highways	0	0	(1,194)	0	(1,194)
Legislative	2,832	0	0	0	2,832
Recreation and cultural	14,471	0	0	0	14,471
Sanitation	0	97,372	0	0	97,372
Capital projects costs	0	0	0	216,379	216,379
Debt Service:					
Principal	0	0	0	16,800	16,800
Interest and fees	0	0	0	9,586	9,586
Total expenditures	<u>354,110</u>	<u>97,372</u>	<u>(1,194)</u>	<u>242,765</u>	<u>693,053</u>
Excess of revenues over (under) expenditures	(17,781)	16,350	7,753	(192,642)	(186,320)
<u>Other Financing Sources (Uses)</u>					
Proceeds from issuance of bonds	<u>0</u>	<u>0</u>	<u>0</u>	<u>221,800</u>	<u>221,800</u>
Net change in fund balance	(17,781)	16,350	7,753	29,158	35,480
Fund balance (deficit) - beginning of year	<u>187,272</u>	<u>15,060</u>	<u>(8,624)</u>	<u>0</u>	<u>193,708</u>
Fund balance (deficit) - end of year	<u>\$ 169,491</u>	<u>\$ 31,410</u>	<u>\$ (871)</u>	<u>\$ 29,158</u>	<u>\$ 229,188</u>

See accompanying notes to financial statements

EDENVILLE TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005

Net change in fund balance - total governmental funds	\$ 35,480
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(31,388)
Capital outlay	227,379
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:	
Bond proceeds	(221,800)
Repayment of bonds	16,800
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the statement of revenues, expenditures, and changes in fund balance	<u>(28,810)</u>
Change in net assets of governmental activities	<u><u>\$ (2,339)</u></u>

See accompanying notes to financial statements

EDENVILLE TOWNSHIP
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2005

	<u>Tax Fund</u>
<u>ASSETS</u>	
Cash and investments	<u>\$ 14</u>
<u>LIABILITIES</u>	
Due to other governmental units	<u>\$ 14</u>

See accompanying notes to financial statements.

EDENVILLE TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Edenville (Township) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by Edenville Township:

Reporting Entity

The Township of Edenville is governed by an elected five member council (Board). The accompanying financial statements present the financial position and results of operations for the Township for which the Township is considered to be financially accountable.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

EDENVILLE TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

EDENVILLE TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Township reports the following major governmental funds:

General Fund - The General Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Solid Waste Fund - The Solid Waste Fund is used to record transactions relative to the collection and removal of waste.

Road Assessment Fund – The Road Assessment Fund is used to record transactions relative to the repairs and upgrades to Fox Road.

M-30 Water Fund – The M-30 Water Fund is used to record transactions for the funding and payment of principal and interest on bonds issued for water line extensions.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

EDENVILLE TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets – Capital assets, which include land, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Buildings, improvements, equipment and infrastructure are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 Years
Equipment	5 to 20 Years

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

EDENVILLE TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

The Township of Edenville follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township's supervisor submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended, by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund, Solid Waste Fund and Road Assessment Fund are presented as Required Supplemental Information.

EDENVILLE TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	<u>\$ 186,588</u>	<u>\$ 14</u>	<u>\$ 186,602</u>

EDENVILLE TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The breakdown between deposits and investments is as follows:

	Primary <u>Government</u>
Bank deposits (checking and savings accounts)	<u>\$ 186,602</u>

Interest Rate Risk

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2005, \$24,021 of the Township's bank balance of \$199,850 was exposed to custodial credit risk because it was uninsured and uncollateralized.

EDENVILLE TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 4 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 14,578	\$ 0	\$ 0	\$ 14,578
Capital assets being depreciated:				
Buildings and improvements	216,651	216,379	0	433,030
Equipment	330,854	11,000	0	341,854
Subtotal	<u>547,505</u>	<u>227,379</u>	<u>0</u>	<u>774,884</u>
Less accumulated depreciation for:				
Buildings and improvements	66,999	7,218	0	74,217
Equipment	202,309	24,170	0	226,479
Subtotal	<u>269,308</u>	<u>31,388</u>	<u>0</u>	<u>300,696</u>
Net capital assets being depreciated	<u>278,197</u>	<u>195,991</u>	<u>0</u>	<u>474,188</u>
Governmental activities, total capital assets - net of depreciation	<u>\$ 292,775</u>	<u>\$ 195,991</u>	<u>\$ 0</u>	<u>\$ 488,766</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 6,024
Public safety	<u>25,364</u>
Total governmental activities depreciation expense	<u>\$ 31,388</u>

Edenville Township
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A summary of inter-fund receivable and payable balances at June 30, 2005 and transfers made during the year ended June 30, 2005 is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 4,297	\$ 0	\$ 0	\$ 0
Road Assessment	<u>0</u>	<u>4,297</u>	<u>0</u>	<u>0</u>
	<u>\$ 4,297</u>	<u>\$ 4,297</u>	<u>\$ 0</u>	<u>\$ 0</u>

A payable is owed from the Road Assessment Fund to the General Fund for advances by the General Fund on behalf of the Road Assessment Fund.

Edenville Township
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 6 - LONG-TERM DEBT

A summary of the Township's long term debt is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Ending Balance</u>
2004 Water Supply System Bonds, due in annual installments of \$10,000 to \$25,000 plus interest at the rate of 1.75% to 4.75 % through August 2024.	\$ 0	\$210,000	\$ (5,000)	\$205,000
Loan payable to Midland Tomorrow, a short term grant to finance the starting costs of the water project. This grant was repaid with the first two REUs collected.	0	11,800	(11,800)	0
Total	<u>\$ 0</u>	<u>\$221,800</u>	<u>\$ (16,800)</u>	<u>\$205,000</u>

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 0	\$ 0	\$ 0
2007	7,500	8,044	15,544
2008	10,000	7,901	17,901
2009	10,000	7,661	17,661
2010	10,000	7,381	17,381
2011-2015	50,000	31,876	81,876
2016-2020	55,000	21,998	76,998
2021-2024	62,500	8,781	71,281
	<u>\$ 205,000</u>	<u>\$ 93,642</u>	<u>\$ 298,642</u>

EDENVILLE TOWNSHIP
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2005

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes and penalties	\$ 107,240	\$ 107,240	\$ 107,538	\$ 298
State shared revenue	187,405	187,405	200,200	12,795
Charges for services	13,000	13,000	11,751	(1,249)
State grants	5,085	5,085	4,650	(435)
Interest income	5,000	5,000	4,063	(937)
Miscellaneous revenues	8,200	8,200	8,127	(73)
Total revenues	<u>325,930</u>	<u>325,930</u>	<u>336,329</u>	<u>10,399</u>
Expenditures:				
Current:				
General government	180,712	177,492	173,528	3,964
Public safety	79,500	79,500	66,370	13,130
Public works	117,335	120,084	96,909	23,175
Recreation and culture	14,000	14,471	14,471	0
Legislative	4,100	4,100	2,832	1,268
Total expenditures	<u>395,647</u>	<u>395,647</u>	<u>354,110</u>	<u>41,537</u>
Excess of revenues over (under) expenditures	(69,717)	(69,717)	(17,781)	51,936
Fund balance - beginning of year	<u>187,272</u>	<u>187,272</u>	<u>187,272</u>	<u>0</u>
Fund balance - end of year	<u>\$ 117,555</u>	<u>\$ 117,555</u>	<u>\$ 169,491</u>	<u>\$ 51,936</u>

EDENVILLE TOWNSHIP
Required Supplemental Information
Budgetary Comparison Schedule - Solid Waste Fund
For the Year Ended June 30, 2005

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 88,800	\$ 112,480	\$ 113,525	\$ 1,045
Interest income	200	200	197	(3)
Total revenues	<u>89,000</u>	<u>112,680</u>	<u>113,722</u>	<u>1,042</u>
Expenditures:				
Current:				
Sanitation	<u>110,500</u>	<u>110,500</u>	<u>97,372</u>	<u>13,128</u>
Excess of revenues over (under) expenditures	(21,500)	2,180	16,350	14,170
Fund balance - beginning of year	<u>15,060</u>	<u>15,060</u>	<u>15,060</u>	<u>0</u>
Fund balance - end of year	<u>\$ (6,440)</u>	<u>\$ 17,240</u>	<u>\$ 31,410</u>	<u>\$ 14,170</u>

EDENVILLE TOWNSHIP
Required Supplemental Information
Budgetary Comparison Schedule - Road Assessment Fund
For the Year Ended June 30, 2005

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 0	\$ 0	\$ 6,547	\$ 6,547
Interest income	0	0	12	12
Total revenues	<u>0</u>	<u>0</u>	<u>6,559</u>	<u>6,559</u>
Expenditures:				
Current:				
Streets and highways	<u>10,000</u>	<u>10,000</u>	<u>(1,194)</u>	<u>11,194</u>
Excess of revenues over (under) expenditures	(10,000)	(10,000)	7,753	17,753
Fund balance - beginning of year	<u>(8,624)</u>	<u>(8,624)</u>	<u>(8,624)</u>	<u>0</u>
Fund balance - end of year	<u>\$ (18,624)</u>	<u>\$ (18,624)</u>	<u>\$ (871)</u>	<u>\$ 17,753</u>



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

September 19, 2005

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PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA

Township Board
Township of Edenville
Edenville, Michigan

This letter is intended to inform the Township Board about significant matters related to the conduct of the annual audit so it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Township Board.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards

Our audit of the financial statements of the Township of Edenville for the year ended June 30, 2005 was conducted in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplished that objective.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

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WEINLANDER FITZHUGH

Township Board
Township of Edenville
September 19, 2005
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Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments were not significant.

Accounting Policies and Alternative Treatments

Management and the Township Board have the ultimate responsibility for the appropriateness of the accounting policies used by the Township. The Township did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period which should be brought to your attention for approval.

Disagreements with Management

We encountered no disagreements with management over the application of significant principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.



WEINLANDER FITZHUGH

Township Board
Township of Edenville
September 19, 2005
Page 3

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Edenville Township.

This report is intended solely for the information and use of the Township Board and management and is not intended to be, and should not be, used by anyone other than the specified parties.

Weinlander Fitzhugh